

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 NEAE-00 SSM-03 SP-02 USIA-06 AID-05
EB-08 NSC-05 TRSE-00 SS-15 STR-04 OMB-01 CEA-01
OPIC-03 COME-00 EUR-12 ACDA-07 CIAE-00 DODE-00
PM-05 H-01 INR-07 L-03 NSAE-00 PA-01 PRS-01 /101 W
-----023753 011824Z /46

P 011645Z SEP 77
FM AMEMBASSY DAMASCUS
TO SECSTATE WASHDC PRIORITY 4669
INFO AMEMBASSY AMMAN
AMEMBASSY CAIRO
AMEMBASSY JIDDA
AMEMBASSY TEL AVIV

C O N F I D E N T I A L SECTION 1 OF 2 DAMASCUS 5609

E.O. 11652: XGDS-1
TAGS: PINT, PINR, SY
SUBJ: ARRESTS IN ANTI-CORRUPTION CAMPAIGN

1. SUMMARY:

FROM 15 TO 20 KEY BUSINESSMEN AND OFFICIALS OF PUBLIC COMPANIES WERE ARRESTED AUGUST 31 FOR INVESTIGATION OF CHARGES OF CORRUPTION. PRESIDENT'S BROTHER MEANWHILE HAS DECLARED HIS PROPERTIES AND PAID BACK TAXES WHILE DIVESTING HIMSELF OF ONE ILLEGAL PROPERTY. THERE HAS REPORTEDLY BEEN A SERIOUS FALLING OUT RECENTLY BETWEEN RIF'AT AND HIS BROTHER. SYRIANS HAVE BEEN SURPRISED BY THESE ARRESTS BUT MANY ASSUME BUSINESSMEN WILL BE RELEASED AFTER PAYING SOME RETROACTIVE TAXES. PRESIDENT ASSAD IS DEMONSTRATING GREATER SERIOUSNESS IN HIS ANTI-CORRUPTION CAMPAIGN THEN HAS BEEN EXPECTED BY MOST SYRIANS. END SUMMARY.

2. PROMINENT DAMASCUS BUSINESSMAN REPORTED TO ECONOFF AUGUST 31 THAT GOVERNMENT THAT SAME AFTERNOON HAD ARRESTED 15 TO 20 IMPORTANT BUSINESSMEN AND GOVERNMENT OFFICIALS FOR
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INVESTIGATION ON GENERAL CHARGES OF BRIBERY. FRENCH EMBOFF CONFIRMED TO POLOFF THAT ARRESTS HAVE BEEN MADE AND THAT SOME OF INDIVIDUALS ARE PHYSICALLY IN JAIL. AMONG THOSE ARRESTED OR FOR WHOM ARREST ORDERS HAVE BEEN ISSUED BY SECURITY FORCES ARE:

A. OSMAN AIDE - REPRESENTATIVE OF LARGE FRENCH AND EAST EUROPEAN FIRMS (SUNNI MUSLIM OF NEW WEALTH). HE IS

REPUTED TO BE RICHEST MAN IN SYRIA AND IS KNOWN TO BE PARTICULARLY CLOSE TO NAJI JAMIL WHO FRENCH EMBOFF SAYS HAS AS MATTER OF COURSE TAKEN BRIBES FROM AIDE. AIDE IS IN JAIL.

B. ABDURRAHMAN ATTAR AK CONTRACTOR, REPRESENTATIVE OF FIAT, FIAT-ALLIS, ALITALIA, IBM (SUNNI MUSLIM OF OLD FAMILY BUT NEW MONEY). ATTAR WAS ONCE A MEMBER OF THE BAATH PARTY. WE HAVE HEARD THAT HE MAY HAVE LEFT FOR EUROPE UPON LEARNING HIS ARREST WAS IMMINENT. WHEN ANTI-CORRUPTION CAMPAIGN STARTED HE TOLD HIS WIFE AND DAUGHTER VACATIONING IN SWITZERLAND NOT TO RETURN.

C. NAZIR HADAYA - A SUNNI REPRESENTING U.S., JAPANESE, AND ITALIAN CONSUMER GOODS MANUFACTURERS ((GE, AMANAJNK ETC.) HADAYA HAS BEEN CLOSELY ASSOCIATED WITH RIF'AT ASSAD. MINFIN OFFICIALS CAME TO HIS OFFICE ABOUT A WEEK AGO TO DEMAND HE PAY BACK TAXES. HE THREW THEM OUT OF HIS OFFICE. HE IS REPORTED TO HAVE MADE IT OUT OF DAMASCUS TO BEIRUT.

D. SAED NA HAS - REPRESENTATIVE FOR VW, VOLVO, PEUGEOT, TWA, SASJM (SHIITE AK SECRETARY GENERAL OF SYRIAN CHAMBER OF COMMERCE.) HE IS AMONG THE MOST PROMINENT MEMBERS OF THE SYRIAN SHIITE COMMUNITY.

E. MOUKHTAR KILARJI - AN EX-ARMY OFFICE WHO IS REPRESENTATIVE FOR MAGIRIUS-DEUZ, A WEST GERMAN COMPANY THAT JUST SOLD MAJOR ORDER OF HEAVY VEHICLES TO SYRIAN ARMY.

F. SAMIR MERHEJ JAK CHRISTIAN. MAJOR BUSINESSMAN
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BASED IN HAMA WITH OPERATIONS IN DAMASCUS AND BEIRUT.

G. MUHAMMED ED-DEEK - DIRECTOR GENERAL OF THE UNION OF ENGINEERING INDUSTRIES AND TWO OF HIS SUBORDINATES; IHSAM FAQI, HEAD OF THE GOVERNMENT TRACTOR FACTORY AND THE UNION'S FINANCE DIRECTOR (NAME UNKNOWN).

H. DIRECTOR OF
GOVERNMENT PLYWOOD COMPANY IN

ATTAKIA, BADR SHEHAB. ((ACCUSED OF ACCEPTING \$92,800 BRIBE FROM FOREIGN COMPANY WHICH WAS CITED RECENTLY IN NEWSPAPERS').

I. ABDEL LATIF KUWAIT - DIRGEN, UNION OF TEXTILES INDUSTRIES

OTHER POSSIBLE ARRESTS:

J. MOHAMMAD ISRIB - LARGE CONTRACTOR.

K. WALID OR MUNDHER AL-KHAIR (BROTHERS) - LARGE CONTRACTOR FOR MILITARY PROCUREMENT.

3. THESE ARE SIGNIFICANT ARRESTS. THE BUSINESSMEN ARRESTED INCLUDE THE LARGEST, RICHEST AND SOME OF THE MOST EFFICIENT ENTREPRENEURS IN SYRIA. ALL HAVE BAD REPUTATIONS FOR THEIR CORRUPT PRACTICES. ALL EXCEPT AIDE AND NA HAS HAVE CLOSE U.S. BUSINESS CONNECTION BUT THE MAJOR FOREIGN BUSINESS INTERESTS

MOST AFFECTED ARE FRENCH. DEEK AND KUWAIT HAVE A REPUTATION FOR RUNNING TWO OF THE (RELATIVELY) MORE EFFICIENT GOVERNMENT INDUSTRIAL ORGANIZATIONS, AND ARE KNOWN FOR THEIR DEMANDS FOR GREATER EFFICIENCY IN GOVERNMENT ENTERPRISES.

4, IN A RELATED DEVELOPMENT, WE WERE TOLD THAT PRESIDENT'S BROTHER RIF'AT HAS NOW REGISTERED ALL HIS REAL PROPERTY IN DANASCUS AND ELSEWHERE WITH THE MINISTRY OF FINANCE IN NAMES

OF EACH OF HIS 12 CHILDREN. ALL REPEAT ALL LEGAL FEES AND TAXES ON THESE PROPERTIES WERE PAID AT REGISTRATION. THE CONFIDENTIAL

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SAME SOURCE ALSO CORRABORATED ANOTHER REPORT THAT FIF'AT GAVE AWAY TWO ILLEGAL FLOORS OF AN APARTMENT BUILT IN VIOLATION OF DAMASCUS ZONING REGULATIONS TO THE QATARI FOREIGN NINISTER IN ORDER TO DICEST HIMSELF OF VISIBLY EMBARRASSING PROPERTY. HE SOLD THE REMAINING FLOORS. RIF'AT'S REPORTED ACTION RE PAYING TAXES CONFORMS WITH CHAIRMAN OF THE INVESTIGATION COMMITTEE, A NED DIAB'S AUGUST 25 WARNING TO EFFECT THAT WHILE IT IS NATURAL, DUE TO SYRIA'S RAPID DEVELOPMENT, FOR SOME INCOMES TO INCREASE,(TAXES HAVE NOT BEEN LEVIED IN PROPORTION TO THESE INCREASES.

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C O N F I D E N T I A L SECTION 2 OF 2 DAMASCUS 5609

5. WE ARE TOLD THAT HAFEZ AL-ASSAD AND HIS BROTHER RIF'AT HAVE HAD SERIOUS FALLING OUT. WE HAVE HEARD FROM A WESTERN EMBASSY SOURCE IN DAMACUS THAT THE PRESIDENT IS AGAIN CONSIDERING REMOVING HIS BROTHER FROM HIS COMMAND OF THE DEFENSE COMPANIES AND SENDING HIM OFF AS AN AMBASSADOR. SINCE THIS TORY HAS CROPPED UP BEFORE IN PERIODS OF TENSION BETWEEN THE BROTHERS, WE DO NOT ASSIGN IT UNDUE WEIGHT.

6. A SYRIAN BUSINESSMAN, WHO CLAIMS HE HAS BEEN PRIVATELY ADVISING PRIMIN KHULAYFAWI ON THE CORRUPTION CAMPAIGN, TOLD POLOFF BEFORE THE ARRESTS THAT HE PRIMIN HELPED

WRITE PRESIDENT ASSAD'S PEOPLE'S COUNCIL SPEECH AND IS THE MAIN ARCHITECT OF THE CAMPAIRN. KHULAYFAWI WAS ABLE TO CONVINCE NOHAMMAD AL-KHOULI, ((CHIEF OF AIR FORCE INTELLIGENCE

AND ASSAD CONFIDANTE) THAT SOMETHING HAS TO BE DONE AGAINST CORRUPTION TO REMOVE THE POPULAR PRESSURE BEING GENERATED AGAINST THE REGIME. POPULAR APATHY EVIDENT IN THE TURNOUT IN RECENT PARLIAMENTARY ELECTION WAS A FACTOR IN CONVINCING
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AL-KHOULI TO TAKE THE MATTER UP WITH THE PRESIDENT. THIS BUSINESSMAN ADMITTED THAT THE CANPAIGN WOULD LACK CREDIBILITY UNTIL SOME ACTION WAS TAKEN AGAINST RIF'AT AL-ASSAD. HE SPECULATED THAT THE PRESIDENT MAY NOW BE WILLING TO AUTHORIZE THIS.

7. DAY AFTER THE ARRESTS, SEPT 1 PRESS CARRIED ARTICLE BY MINCULTURE DR. NAJAH AL-ATTAR SAYING THAT PRESIDENT ASSAD HAD PERSONALLY STRESSED TO THE CABINET:
QUOTE A. MIDDLEMAN DEALING, (NEGLIGENCE, CORRUPTION, MISUSE OF POSITION,(AND LARCENY, ARE PHENOMENA THAT HAVE GROWN RECENTLY. WE MUST STAMP THEM OUT AS FIRMLY AND TOUGHLY AS POSSIBLE.

B. I ASSURE YOU THAT NO ONE IN THIS COUNTRY CAN PROTECT A THIEF OR A BRIBE RECEPIENT. EVERYBODY HAS TO BE AWARE OF THIS, AND MUST NOT REMAIN SILENT OVER SUCH MATTERS. OFFICIALS MUST NOT RESPOND TO ANY PRESSURE.

C. NO ONE IS PROTECTED IN THIS COUNTRY BE HE AN OFFICIAL, WHATEVER HIS RANK OR THE FRIEND,(
RELATIVE, OR COMRADE OF AN OFFICIAL, IF HE IS BRIBED OR IS

DOMINATING AND HARASSING PEOPLE.

D. ALL OF US, AS OFFICIALS, MUST NOT PROTECT ANYONE

OF OUR FRIENDS OR
RELATIVES, EXCEPT FOR THE GOOD, ALL
CITIZENS ARE FRIENDS AND RELATIVES. UNQTE

8.

COMMENT:

SPECULATION IS PREMATURE BUT IT APPEARS THAT ASSAD IS
IN FACT PREPARED TO TAKE MORE VIGOROUS ACTION THAN SYRIANS
HAD ORIGINALLY PREDICATED. THE IMPORTANCE OF THE INDIVIDUALS
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ARRESTED HAS SURPRISED MANY SYRIANS. MOST, HOWEVER, EFFECT
THE DIAB, AUGUST 25, FORMULA TO BE APPLIED. IF THE GUILTY
PAY SOME BACK TAXES, THEY WILL BE RELEASED AND PERMITTED
TO RESUME THEIR BUSINESS.
MURPHY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CORRUPTION, BUSINESSMEN, ARRESTS
Control Number: n/a
Copy: SINGLE
Sent Date: 01-Sep-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977DAMASC05609
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X1
Errors: N/A
Expiration:
Film Number: D770317-0014
Format: TEL
From: DAMASCUS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197709109/aaaadnyn.tel
Line Count: 248
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 1ac3113a-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 23-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1089787
Secure: OPEN
Status: NATIVE
Subject: ARRESTS IN ANTI-CORRUPTION CAMPAIGN
TAGS: PINT, PINR, SY
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/1ac3113a-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009